

UNCLASSIFIED

Iraq

Status Report

May 20, 2009



Bureau of Near Eastern Affairs
U.S. Department of State

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HIGHLIGHTS



- **A Provisional Date for National Elections is Proposed (*POLITICAL*, page 4).**
- **Iraqi Cabinet Approves Bond Sale (*ECONOMIC*, page 14).**
- **Denmark and Iraq have reached an agreement to repatriate Iraqi refugees (*DIPLOMATIC*, page 18).**
- **Iraqi, Coalition Forces Target Syrian-Based AQI Network (*SECURITY*, page 20).**



POLITICAL - Governance & Legislation

Iraq sets important dates while key issues remain unresolved

A Provisional Date for National Elections is Proposed:

- Iraq's first deputy parliamentary speaker announced that the Iraqi federal court determined a provisional date for national elections to be held by January 30. The Iraqi parliament must now approve a date. The anticipated national elections will be the first national elections to be entirely administered by the Iraqi government and the second to take place since the fall of the Saddam Hussein regime. The Iraqi government stated that it is now better prepared to provide security and organize the elections than in 2005.

Tensions Highlighted in Ninewa Province:

- Events in Ninewa have highlighted tensions between Sunni Arabs and Kurds in the province. On May 8, Kurdish forces threatened to prevent the governor of Ninewa, Atheel al-Najaifi, a Sunni Arab, from entering a Kurdish-controlled town. On May 13, the Ninewa police chief, also a Sunni Arab, was prevented from entering another area in the province also under Kurdish control. Najaifi's predominantly Sunni Arab coalition won 19 of the 37 seats on Ninewah's provincial council in Iraq's 2009 provincial elections. Kurds previously dominated the council. They are boycotting the current provincial government and asking to be given the deputy governor and provincial council chairman positions.

POLITICAL - Governance & Legislation



Iraq sets important dates while key issues remain unresolved

Christians Wary of Returning to Iraq:

- The Associated Press reports that more than half of the Iraqi Christian population has left the country since 2003. The UN High Commissioner on Refugees (UNHCR) states that few Christians contemplate going back to Iraq. "They simply do not feel safe enough. They cannot sufficiently count on state security or any other force to protect them," said the UNHCR's acting representative in Damascus, Philippe Leclerc. The head of the UNHCR Iraq support unit acknowledged that Christians are more likely than other fleeing Iraqis to register as refugees in an effort to emigrate to a third country.

POLITICAL - Governance & Legislation



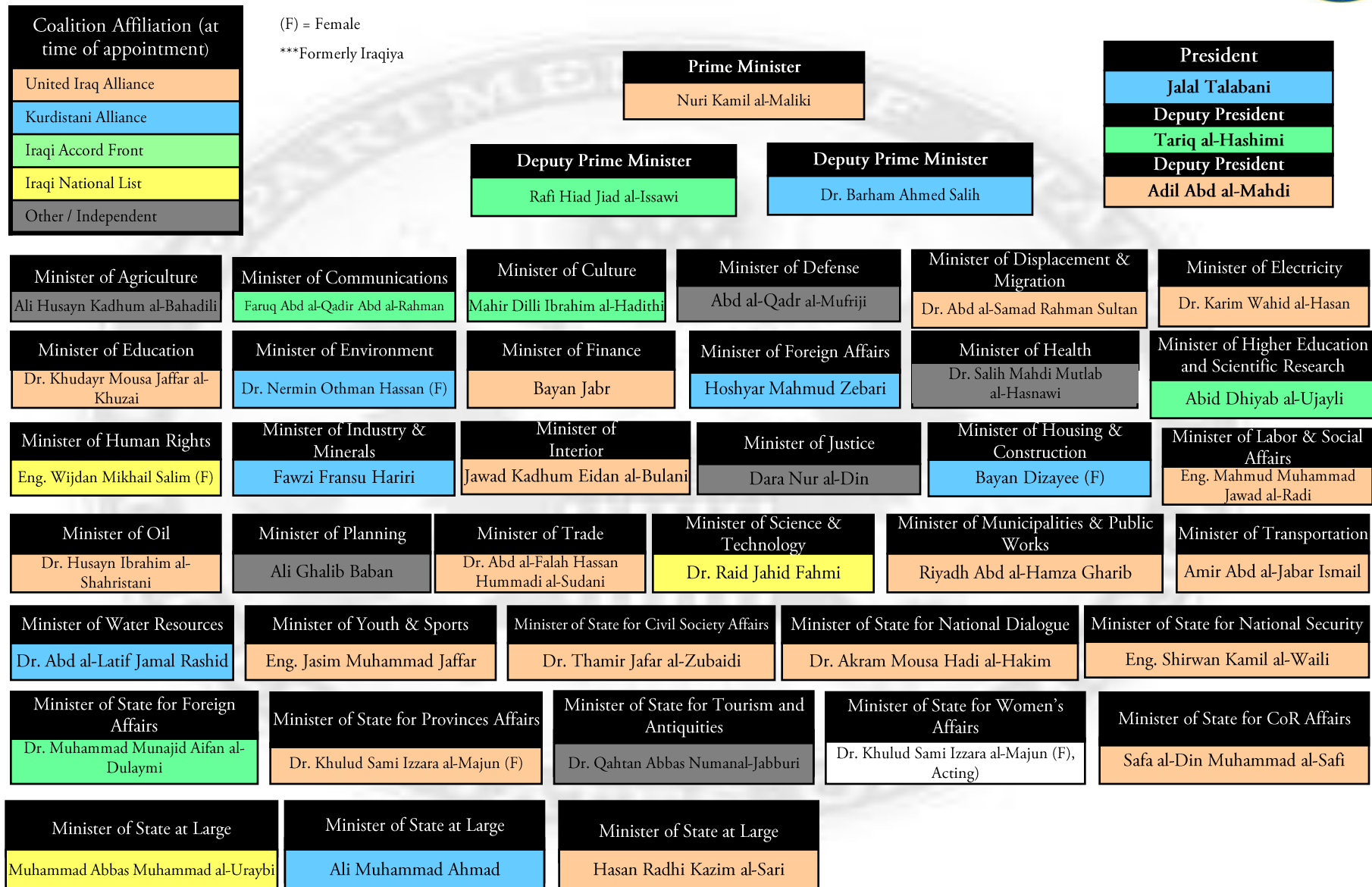
Iraq sets important dates while key issues remain unresolved

Iraq to Hold Nationwide Census in October:

- **Mahdi al-Alaq, head of Iraq's Central Statistics Authority, announced that Iraq will hold a nationwide census on October 24. According to al-Alaq, the new census will not ask householders to specify their sect (e.g. Sunni or Shi'a), but it will ask their religion and ethnicity. "The upcoming census is designed to serve planning and economic development. It has nothing to do with politics," al-Alaq told the Associated Press. "We are not going to ask about who is Shi'a and who is Sunni." Approximately 25,000 government personnel are expected to take part in collecting the demographic information from all over the country, and a nationwide curfew will be in place during the day of the census. Preliminary results will be announced in November 2009. The complete census results, with a detailed breakdown, is not expected until July 2010.**



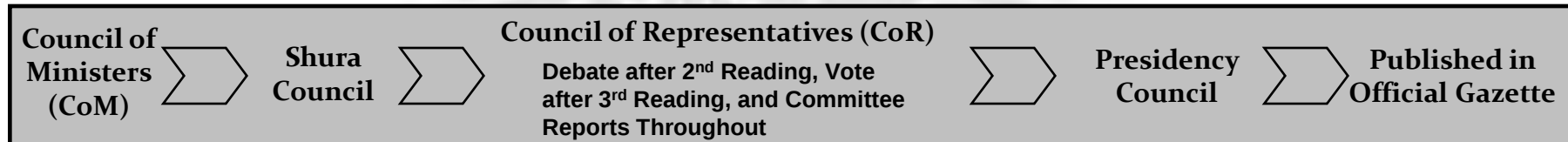
POLITICAL – Government of Iraq



POLITICAL – Key Legislative Issues



Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.

POLITICAL - Refugee Update



- Regional governments report hosting as many as 2 million Iraqi refugees.
- The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.
- In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.
- The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).
- Since the program's inception in FY07, 26,257 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.
- As of March 2009, a total of 375 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).
- As of March 2009, a total of 641 SIVs have been issued for Iraqis since FY08 (under the Section 1244 program).

ECONOMIC – Oil



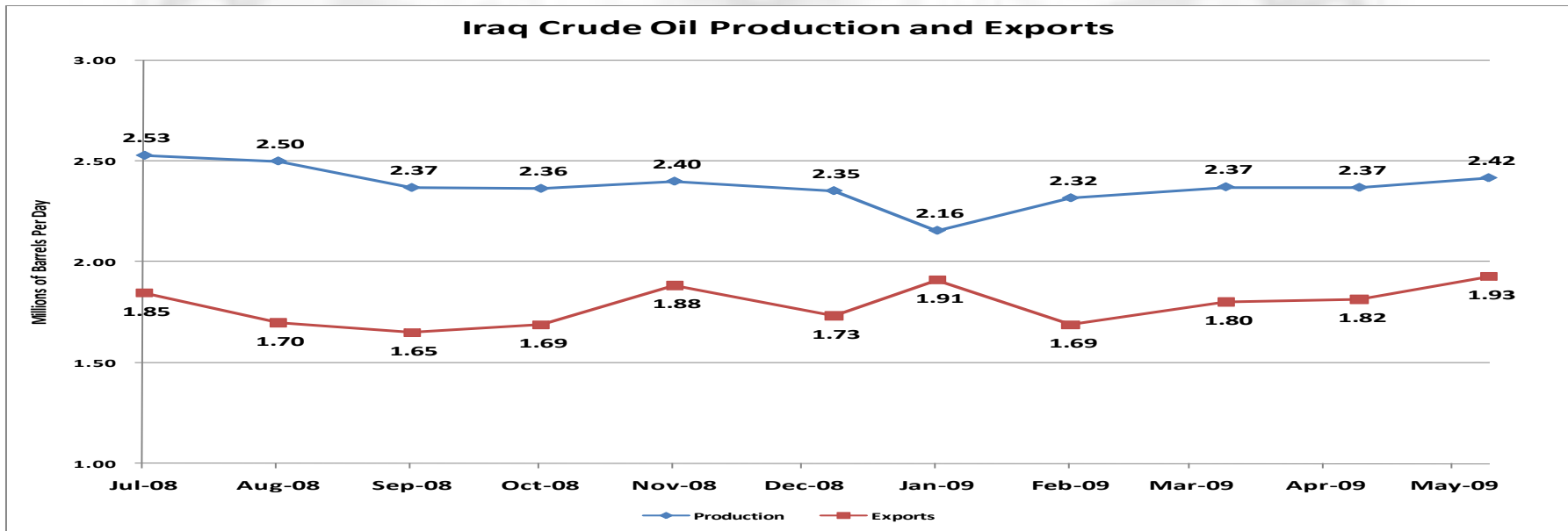
Oil sector remains active despite absence of new federal laws

Crude Oil Update:

Price averages in world markets closed with the following prices:

- Basrah Light at \$54.15/barrel
- WTI Cushing at \$58.07/barrel
- Dated Brent at \$56.83/barrel
- Oman/Dubai at \$57.76/barrel

Iraq Crude Oil Production and Exports



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$11.52 Billion

ECONOMIC – Oil



Unilateral exports by regions or provinces will not be allowed by the federal government

Ministry of Oil Rejects the Dana Gas Announcement to Unilaterally Export Kurdish Gas to Europe:

- The Ministry of Oil rejected plans by Dana Gas, which has a contract with the KRG, to unilaterally export gas to Europe through a pipeline that runs to Turkey. Ministry of Oil spokesperson Asim Jihad said May 19 that oil and gas must be marketed by Iraq's State Oil Marketing Organization (SOMO) and revenues go to the central government. Iraqi government spokesman Ali al-Dabbagh also announced that the Government of Iraq rejected the deals. These statements follow an announcement May 17 that Austria's OMV AG and Hungary's MOL were joining UAE's Dana Gas to export natural gas from two fields in the KRG as part of an \$8 billion project. OMV and MOL are looking for sources of gas to fill the Nabucco pipeline project.

ECONOMIC – Oil



Unilateral exports by regions or provinces will not be allowed by the federal government

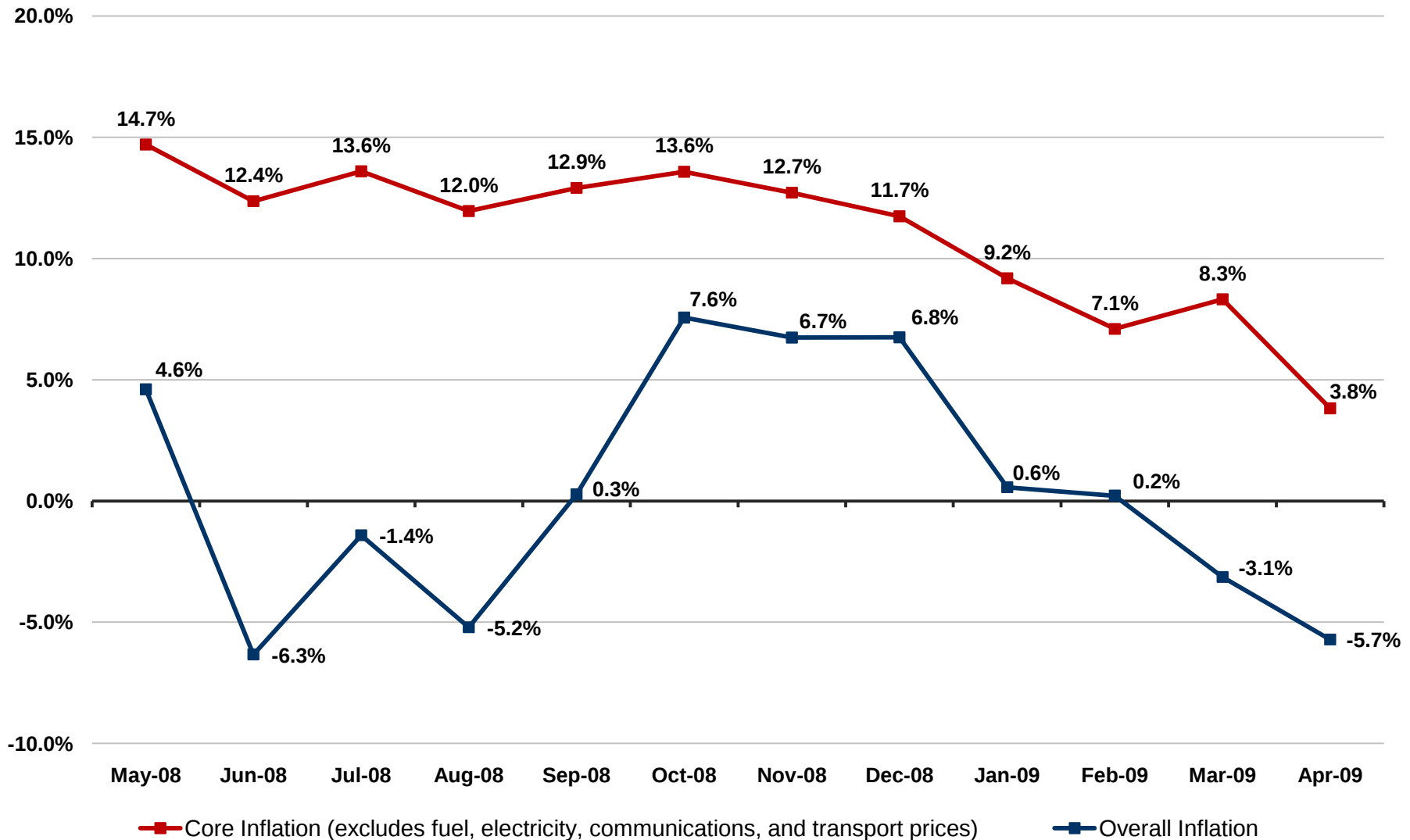
Fayadh Nima Appointed as South Oil Company Head:

- The Ministry of Oil has appointed Fayadh Nima as the new director-general of the South Oil Company following the retirement of his predecessor Kifah Numan. Nima was the head of the Ministry of Oil's studies and planning directorate and will be the second new director-general in less than a year. Numan's predecessor Jabbar al-Luaybi is now an advisor to the Minister of Oil.

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation



ECONOMIC – Fiscal and Monetary Affairs



With less revenue than expected, Iraq considers selling Treasury bonds to finance electricity projects

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Commercial Bond Sales				
Price (USD)	\$59.15	\$55.94	\$52.52	\$66.08
Yield	10.87%	11.63%	13.37%	9.95%

Iraqi Cabinet Approves Bond Sale:

- The Iraqi Council of Ministers approved the sale of \$3 billion worth of dinar-denominated treasury bonds May 17 and now requires approval from the Council of Representatives (CoR), according to an announcement made by government spokesperson Ali al-Dabbagh. The Government of Iraq plans to sell one tranche of the one-year bonds, valued at \$2.4 billion, to fund electricity infrastructure projects and use the remaining \$600 million for water and rail projects. The return on the bonds would be “no less than 2%”, according to Dabbagh.

ECONOMIC – Private Sector



The push for investment in Iraq's non-petroleum sectors continues with the announcement of four new projects in Babil

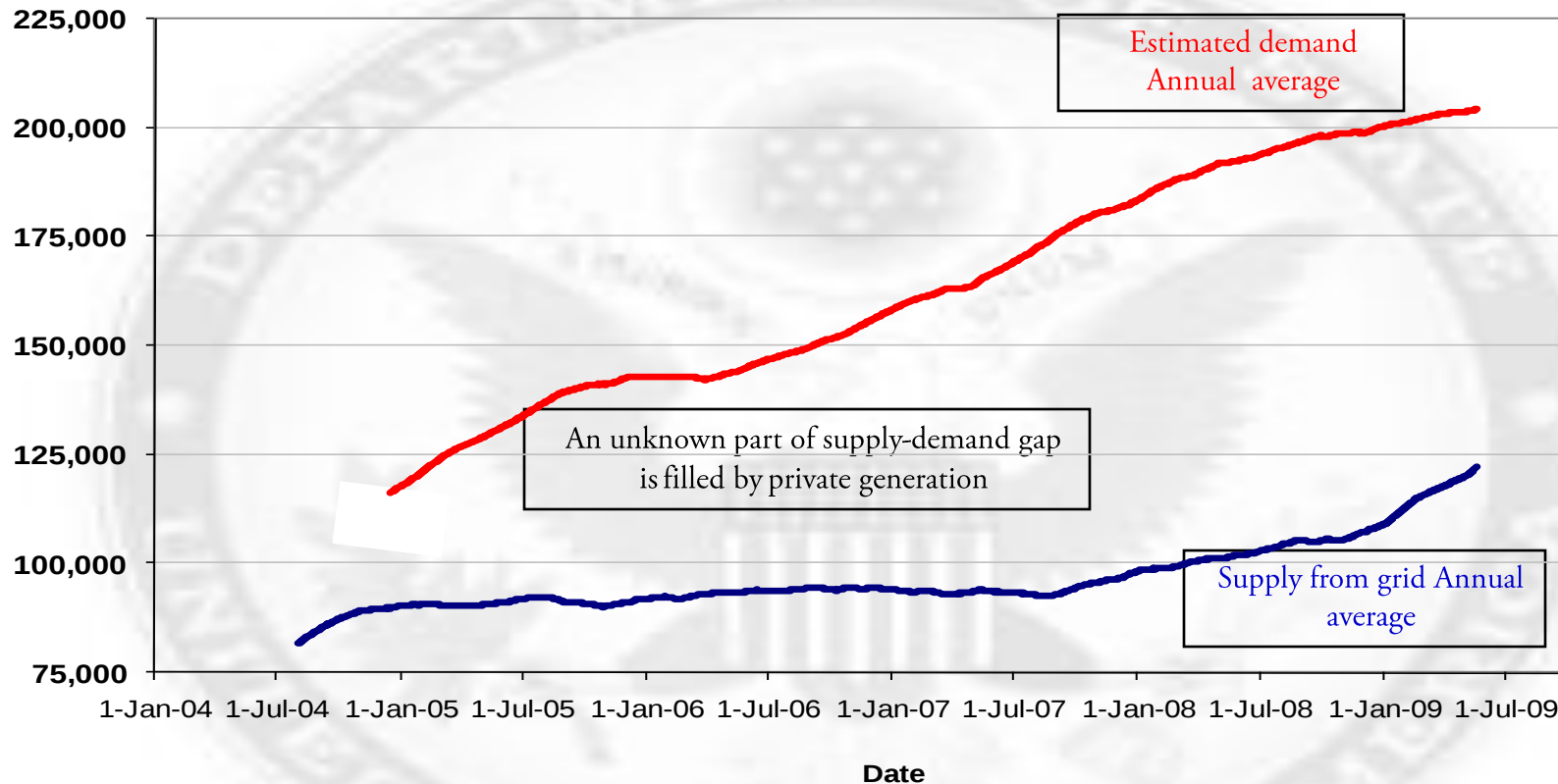
Babil Investment Commission Announces Plans for Four Projects:

- The director general of the Babil Investment Commission Alaa Harba has launched a plan to attract investors to four new industrial sector projects. One project is a new industrial city in the Sbu Seemah region, with talks already underway with potential German investors, though Harba said they would welcome more investors. Another project is the construction of a tourist resort on the al-Mehnawiya island in northern Hillah. This project was touted at the Invest Iraq Conference, held in London April 30-May1, as part of a larger initiative to attract investment to Iraq's tourism sector. The final two projects are construction of a 140,000 barrel per day refinery and a petrochemicals plant near Hillah.

Public Services – Electricity



GOI needs to strengthen policy actions to manage demand and usage patterns



- Daily supply from the grid reached a new all-time record of 159,000 MWh May 15. The highest one-day supply for 2008 was 138,000 MWh and was not reached until December 28.
- For the May 13-19 week, supply was 56% above the year-earlier period and met 71% of estimated demand compared with 50% for the year-earlier period.

Beyond Baghdad



Iraqi woman receives rule of law training material in Dhi Qar

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

Dhi Qar

Iraqi judges are participating in a judicial training program coordinated by the EU JUST LEX Mission and the Dhi Qar Provincial Reconstruction Team Rule of Law (ROL) sector. The event will provide training to judges in the southern provinces. The joint ROL/EU project is the first in-country EU funded event in Iraq. Jurists had previously been required to travel abroad for such training.

Diyala

Members of the Provincial Council, Governor's Administration, and the Directors General of the Ministries participated in the first PRT/U.S. Institute of Peace (USIP) facilitated “Diyala Dialogue” on May 3 and 4. Dialogue participants developed a shared vision for the Province, which will facilitate their subsequent cooperation on the development of policies and programs.

DIPLOMATIC – Political Engagement



GOI works on repatriating Iraqis, discusses bilateral issues with Iran

Agrees to Repatriate Iraqi Refugees in Denmark:

- Danish Integration Minister Birthe Rønn Hornbech announced that Denmark and Iraq have reached an agreement to repatriate Iraqi refugees whose asylum requests have been rejected. After intense negotiations between the two countries, the agreement was signed by Iraqi Foreign Minister Hoshiyar Zebari and the Danish Ambassador to Baghdad, Bo Erik Weber. The agreement calls on Iraq to repatriate 282 Iraqis whose asylum requests have been rejected by Danish authorities. According to Minister Hornbech, the Iraqi asylum seekers will not be sent back collectively at once, "but little by little, if they do not agree to return voluntarily." Danish Prime Minister Lars Løkke Rasmussen praised the deal which he said was "essential for the legitimacy of our entire asylum system." At the end of March, Iraqis represented about 45 % of all rejected asylum seekers who were under orders of expulsion. The Danish Red Cross reports that a large majority of the Iraqis have lived at the Sandholmlejren asylum centre north of Copenhagen for up to eight years. The same report acknowledges that only 14 of the 282 Iraqis have agreed to return voluntarily to Iraq despite financial incentives offered by the Danish government.

DIPLOMATIC – Political Engagement



GOI works on repatriating Iraqis, discusses bilateral issues with Iran

FM Zebari Visits Tehran:

- On May 19, Foreign Minister Hoshyar Zebari led an Iraqi delegation to Tehran to meet with his counterpart, Manouchehr Mottaki, and discussed border issues, the water crisis, and common security threats. Zebari also met with Iranian President Ahmadinejad, who said that Tehran-Baghdad ties were growing, and urged quick implementation of bilateral agreements between the two neighbors. Ahmadinejad also said that the age of “bullying and arrogant powers” had reached its end.

SECURITY – Situation Update



ISF operations continue to disrupt AQI networks in North; car bombing in Baghdad

Iraqi, Coalition Forces Target Syrian-Based AQI Network:

- Iraqi and Coalition Forces (CF) targeted a Syrian-based al-Qaeda in Iraq (AQI) network operating in Iraq and other AQI network cells May 15-16. Iraqi Security Forces (ISF) led a joint operation north of Mosul which targeted the Syrian-based Al Qaeda-linked foreign terrorist facilitator, Sa'ad Uwayid Ubayd al-shammari aka Abu Khalaf. The U.S. Treasury Department recently froze all of Abu Khalaf's bank accounts and financial assets found in the United States. Abu Khalaf is believed to be responsible for facilitating the main pipeline of suicide bombers, as well as the flow of money, weapons, terrorists and other resources from Syria into Iraq. The operation netted three of Abu Khalaf's associates.

Car Bombing in Northwest Baghdad:

- A car bomb exploded in the Shi'a neighborhood of Shula in northwest Baghdad May 20, killing 35 people and wounded 72 others. The last large-scale bomb attack in Iraq was on April 29, when 51 people were killed in twin car bomb attacks in the Sadr City district of Baghdad.

SECURITY – Security Transition



Iraqi Navy reaches milestone

Iraqi Navy Receives Flagship:

- The Iraqi Navy reached a critical milestone May 15 when it received its first patrol ship from the Fincantieri Shipyard in La Spezia, Italy. The ship was named Fatah, and is the first of four ships built directly by the Italian shipmaker. The Fatah will be designated as the flagship of the Iraqi Navy. Fatah's 34 member crew traveled to Italy in January to begin their training on the ship and will begin sailing it from Italy to the Umm Qasr port in southern Iraq. The Iraqi Navy is scheduled to take over full responsibility for maritime security in December 2011.



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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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